



State of Arizona Debt & Cash Update



HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



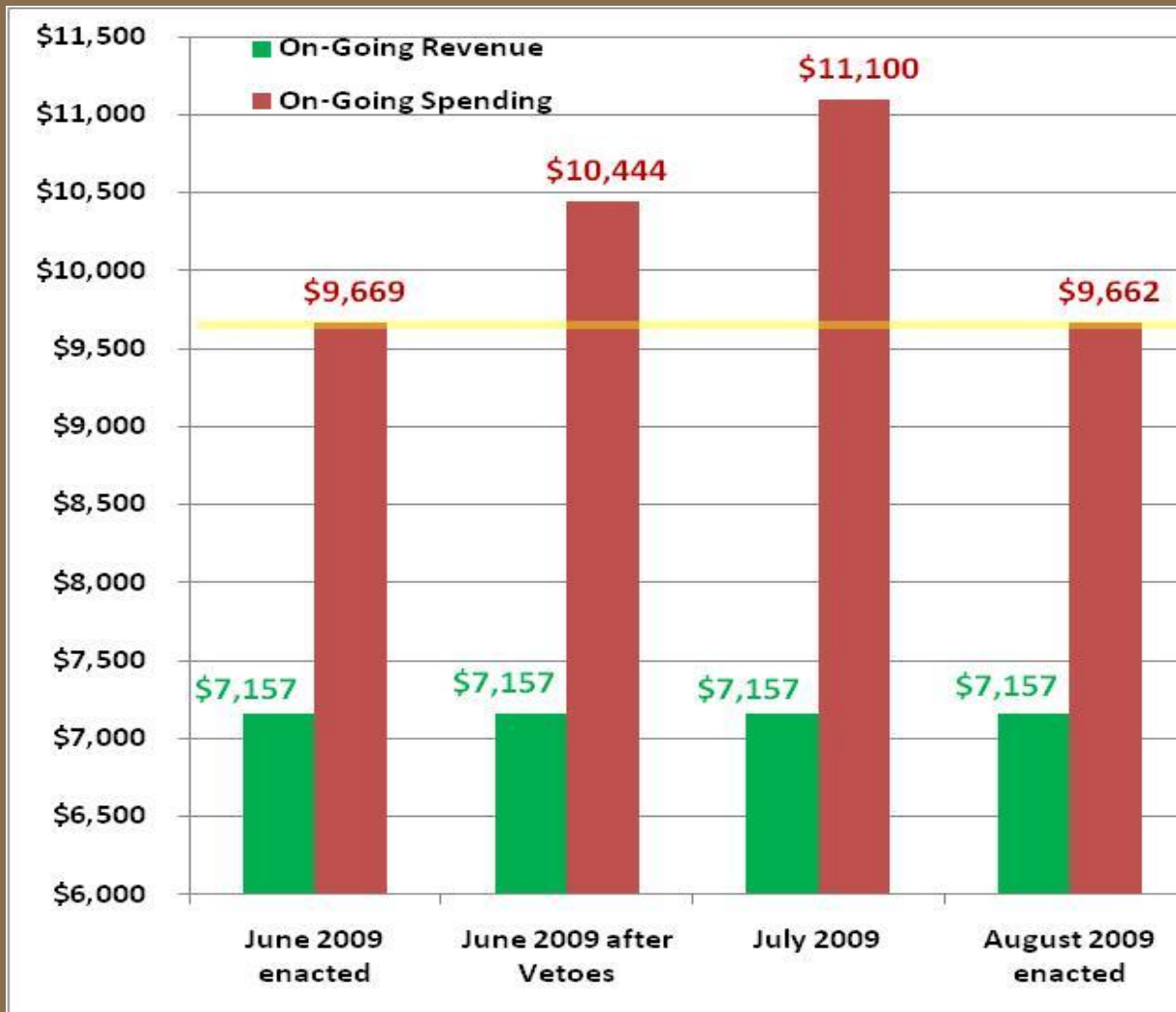
A wild year for budgets



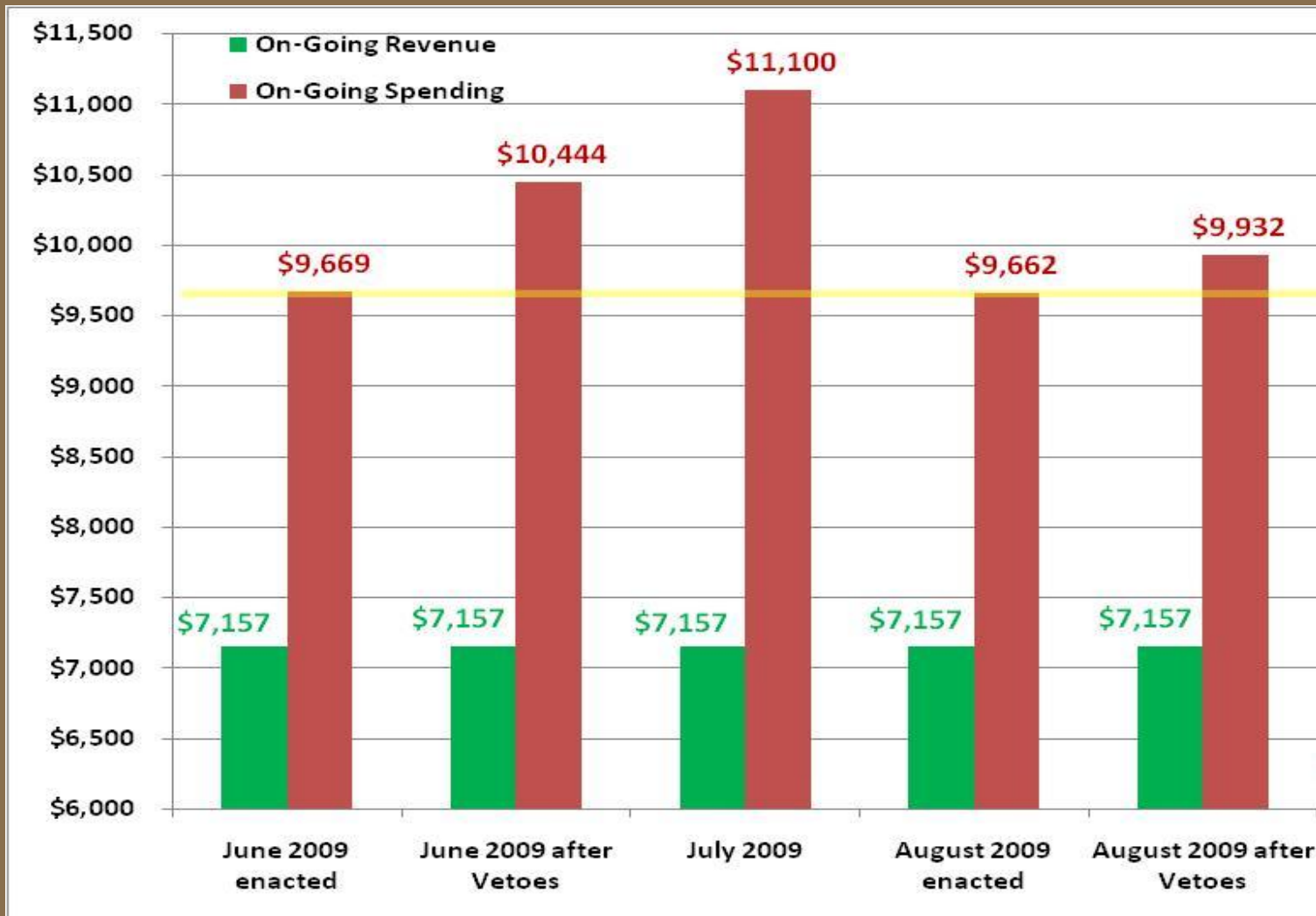
A wild year for budgets



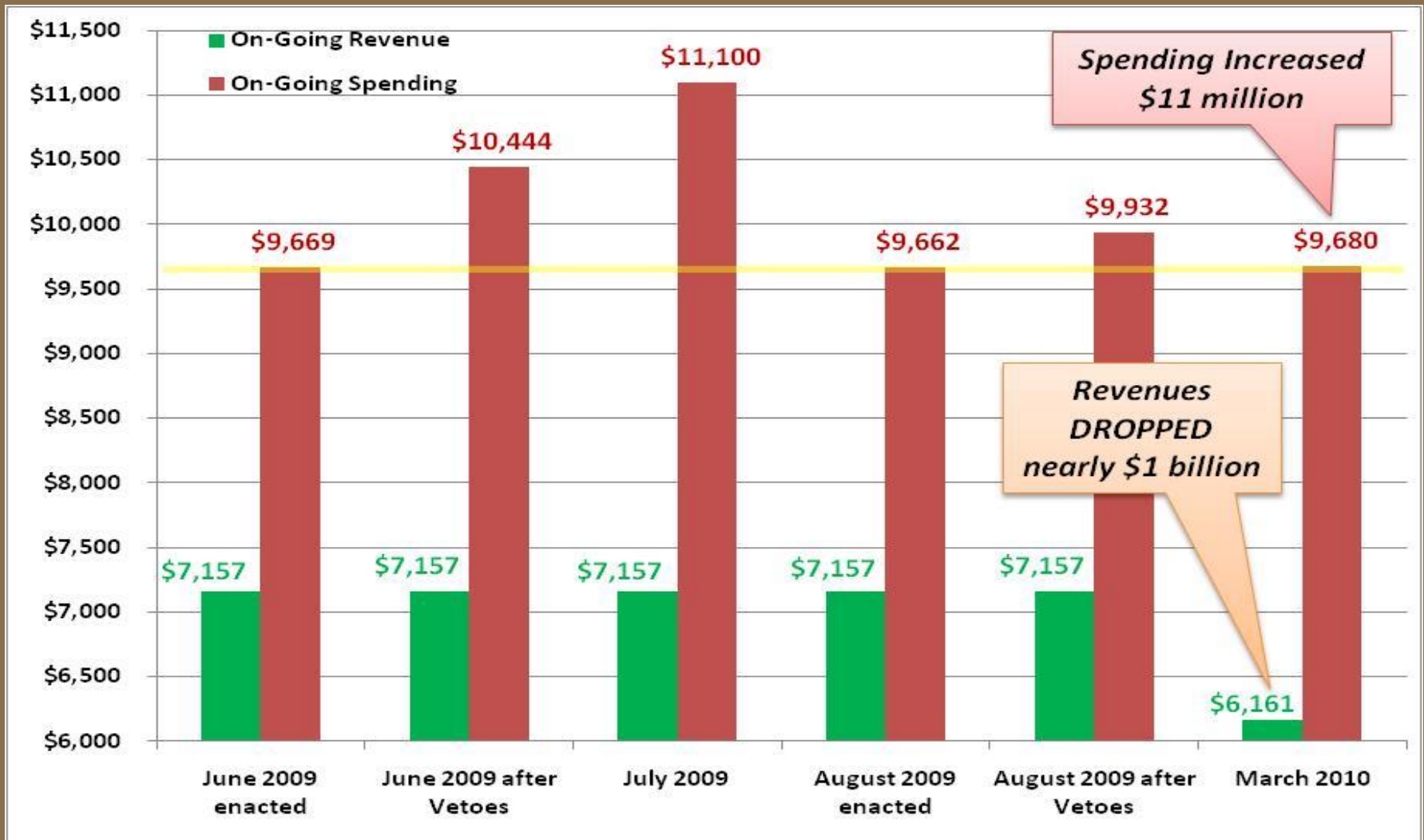
A wild year for budgets



A wild year for budgets



A wild year for budgets

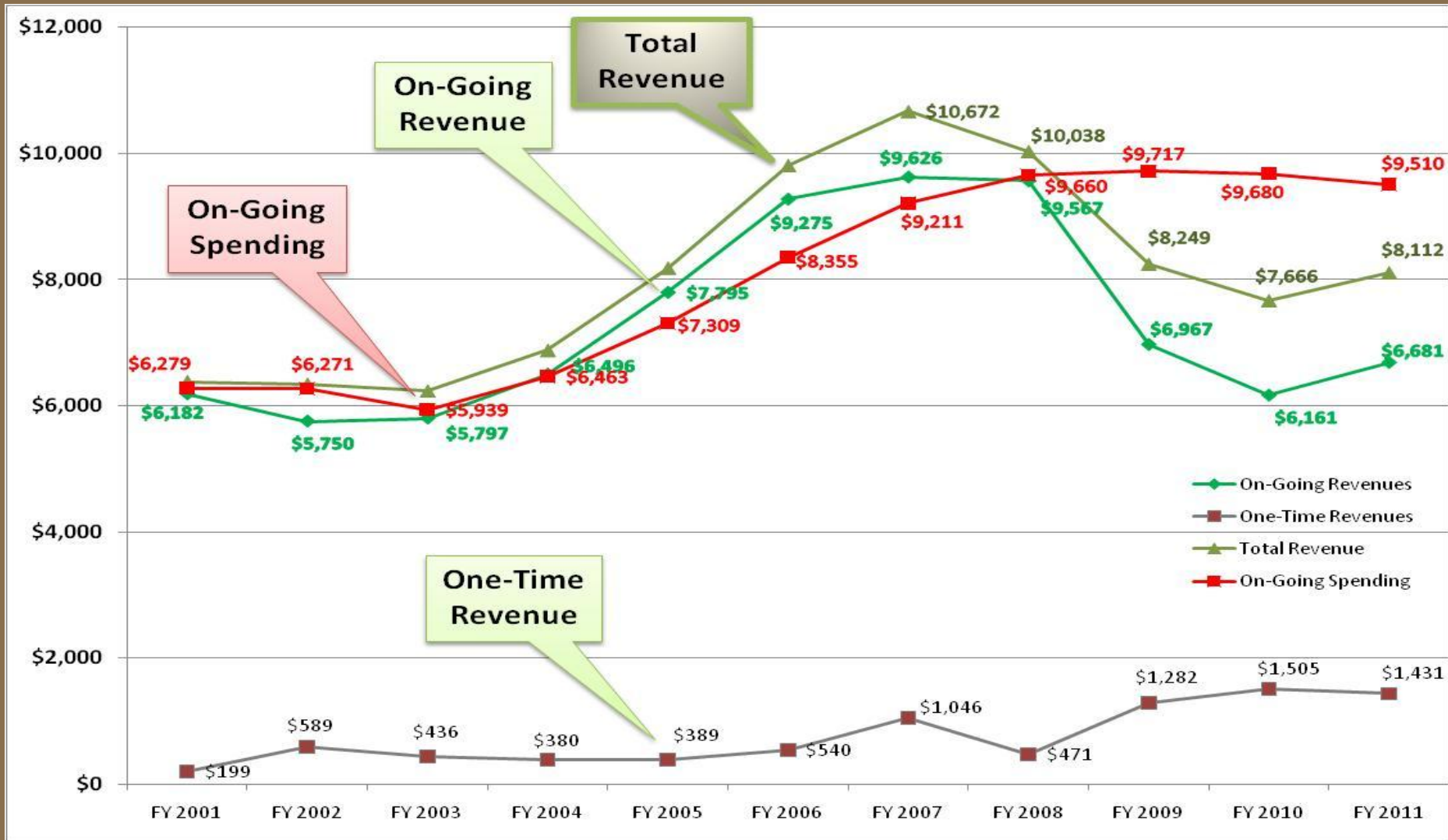


Un-Constitutional Budget Deficits?

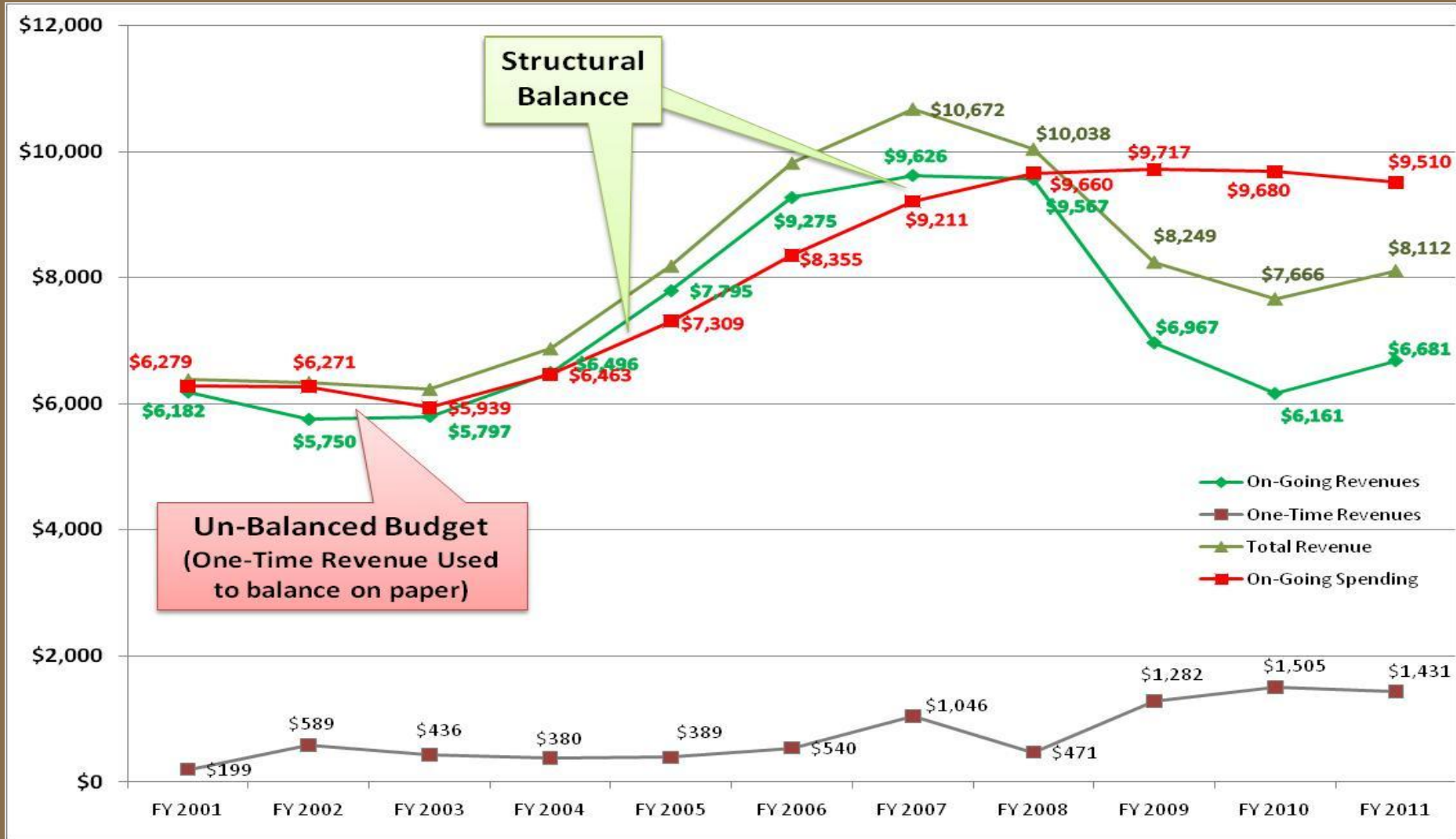
- Appears the General Fund will run a negative balance for the second consecutive year due to further revenue declines and lack of substantial budget reductions during the current Fiscal Year.
- Joint Legislative Budget Committee updated balance sheet:
 - FY2009 deficit of \$450 million
 - FY2010 deficit of \$150 million (our forecast is \$85 million)
- However the audited Comprehensive Annual Financial Report for FY 2009 was just released and it places the general fund deficit at \$978 million for June 30, 2009.
- We have asked GAO for a crosswalk between the \$978 million audited number & the \$450 million estimate from Feb 2010.
- So while there is improvement, it is unclear if consecutive deficits of this magnitude are allowed under the State's Constitution.



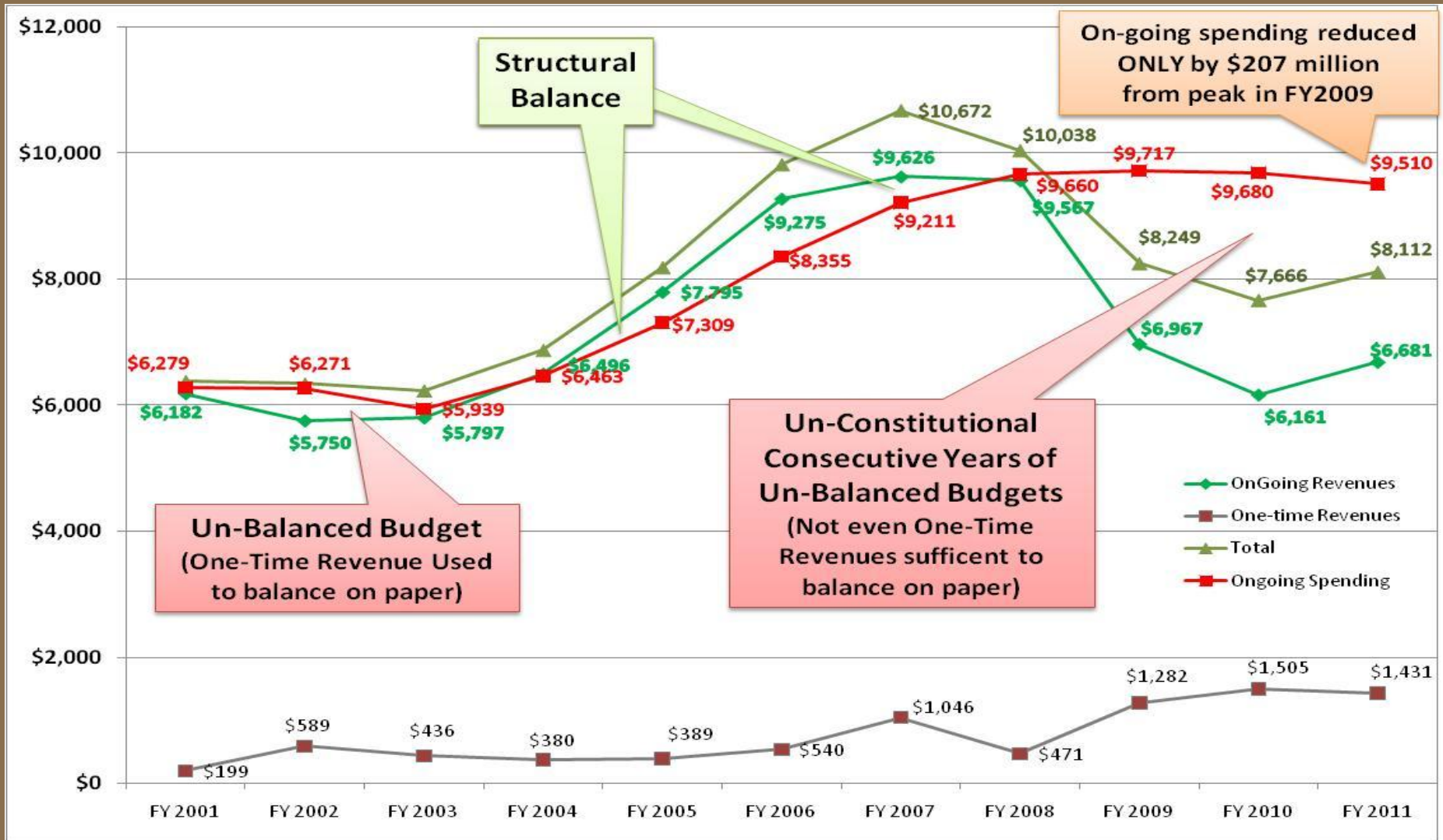
A Decade of State Budgets



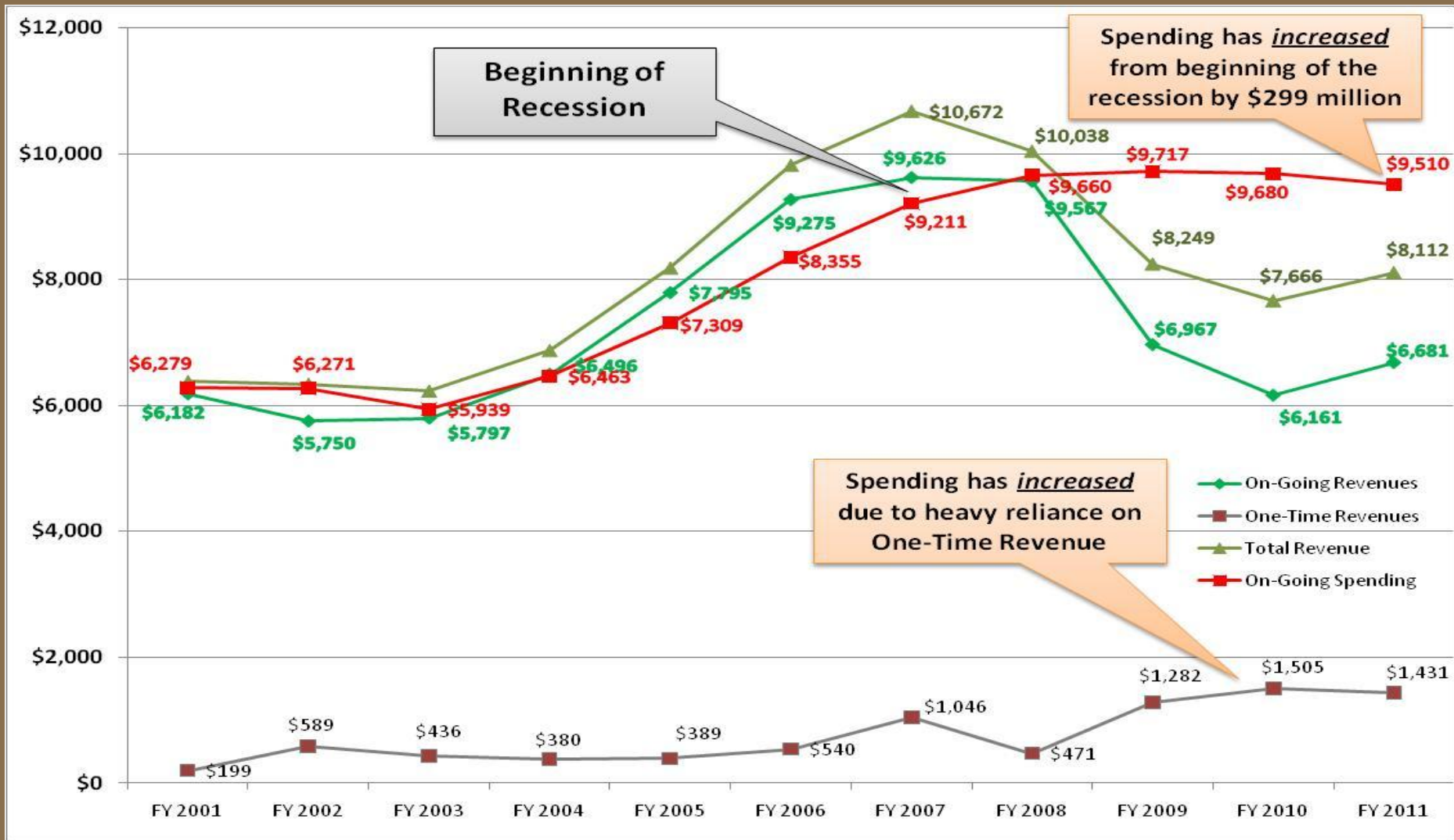
A Decade of State Budgets



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A Decade of State Budgets



Moody's Negative Credit Outlook

- **Independent Credit Rating Agency Moody's recently continued its negative credit outlook for Arizona citing:**
 - **“reliance on non-recurring budget solutions causing significant structural budget imbalance.”**



Chicken Little Update

(update on State running out of cash)



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State IOU's (TWNS)

- To date FY10 Treasurer Warrant Notes issued to cover state spending in excess of revenues: \$86.5 billion
- Average interest: 0.93%
- Interest Cost: \$3.5 million



State IOU's (TWNS)

- Expected additional TWNS for remaining FY10: approx. 2 dozen
- State will continue to rely on TWNS until Department of Administration closes the sale of the Lottery and remaining state buildings for \$750 million.

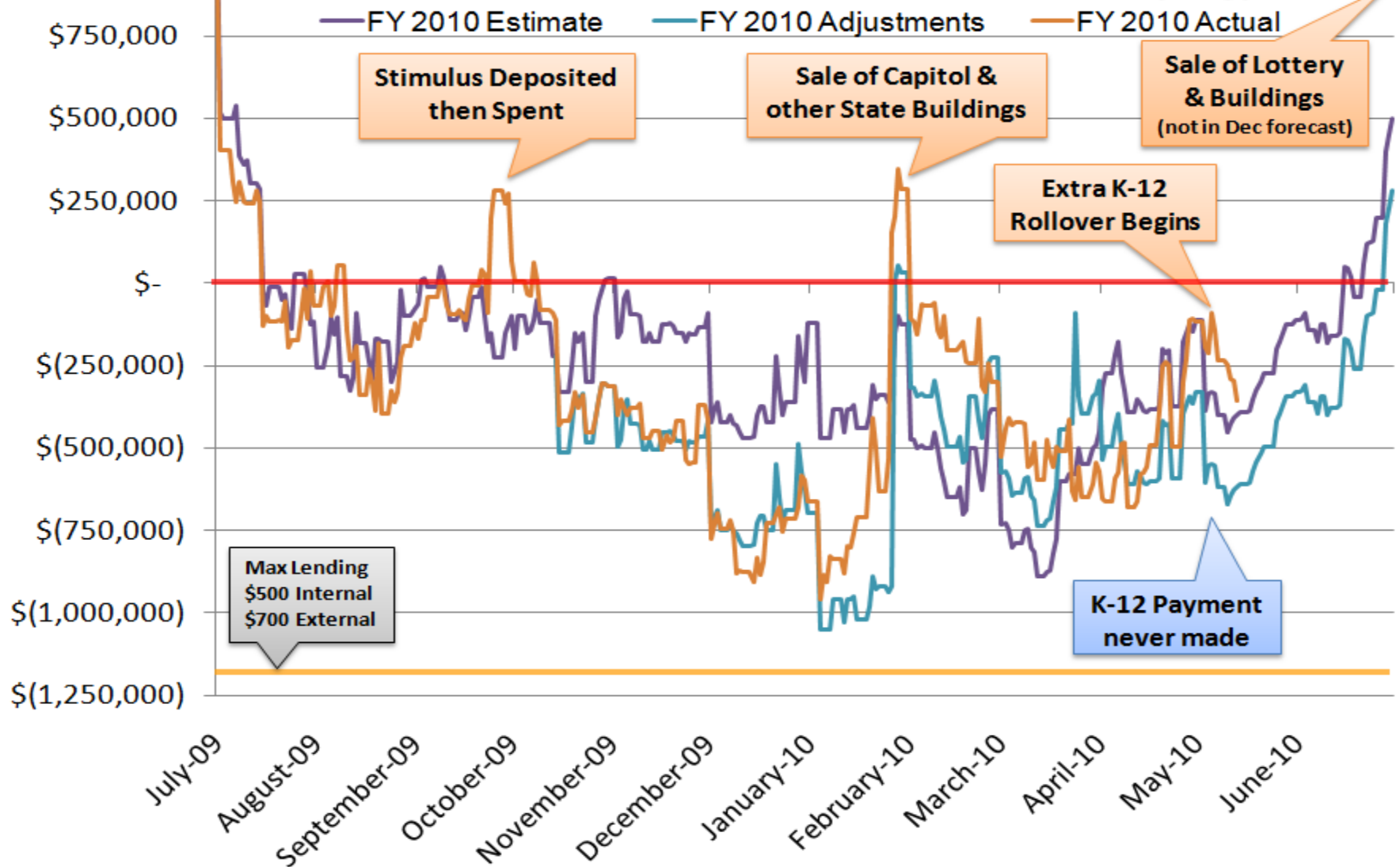


State IOU's (TWNS)

- External TWN facility is up for renewal.
- Renewal has been delayed due to the extremely late Comprehensive Annual Financial Report due from GAO on March 31st, but only released Tuesday.



Dec. 31 2009 Revised Cash Flow (adj)

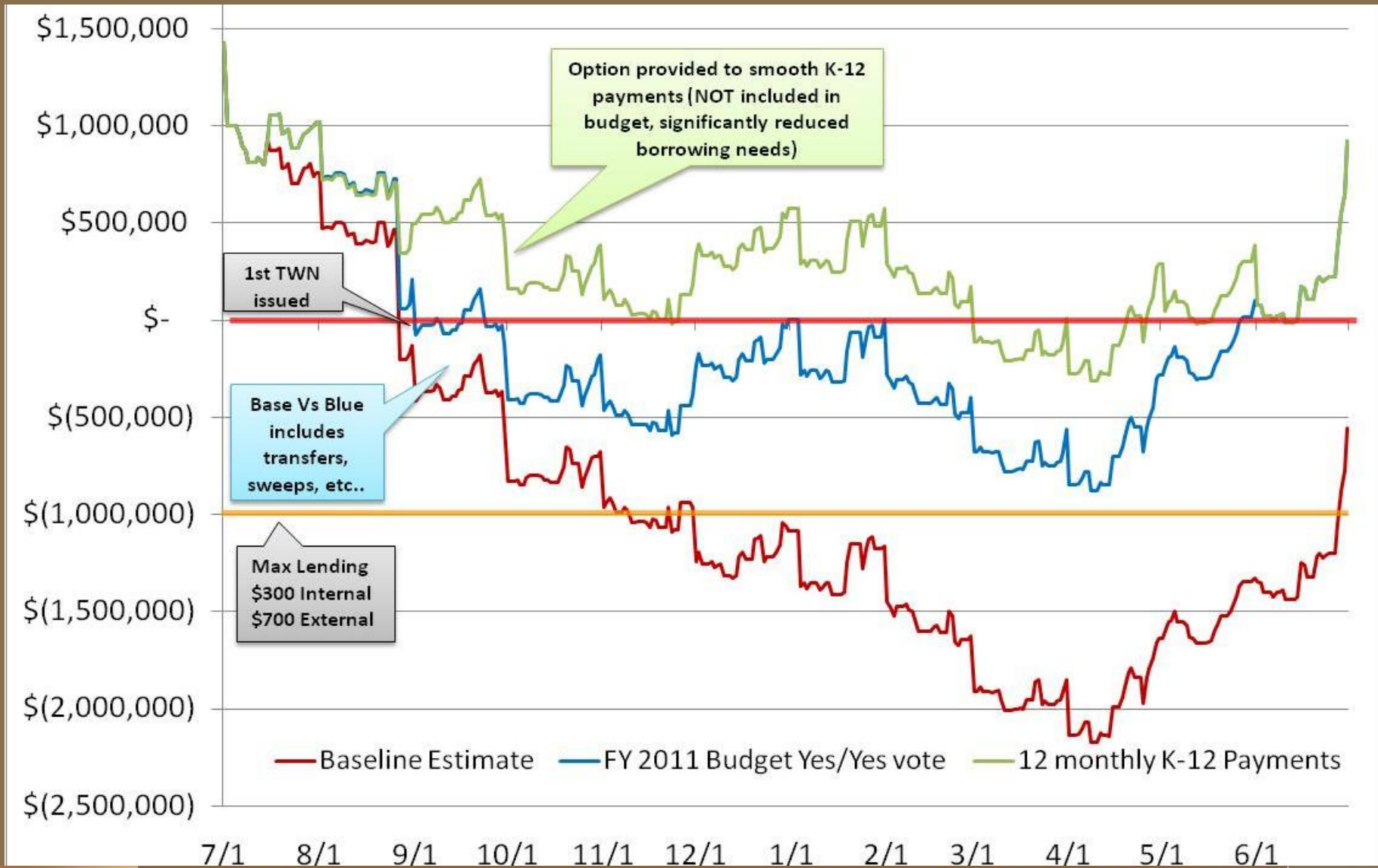


State IOU's (TWNS)

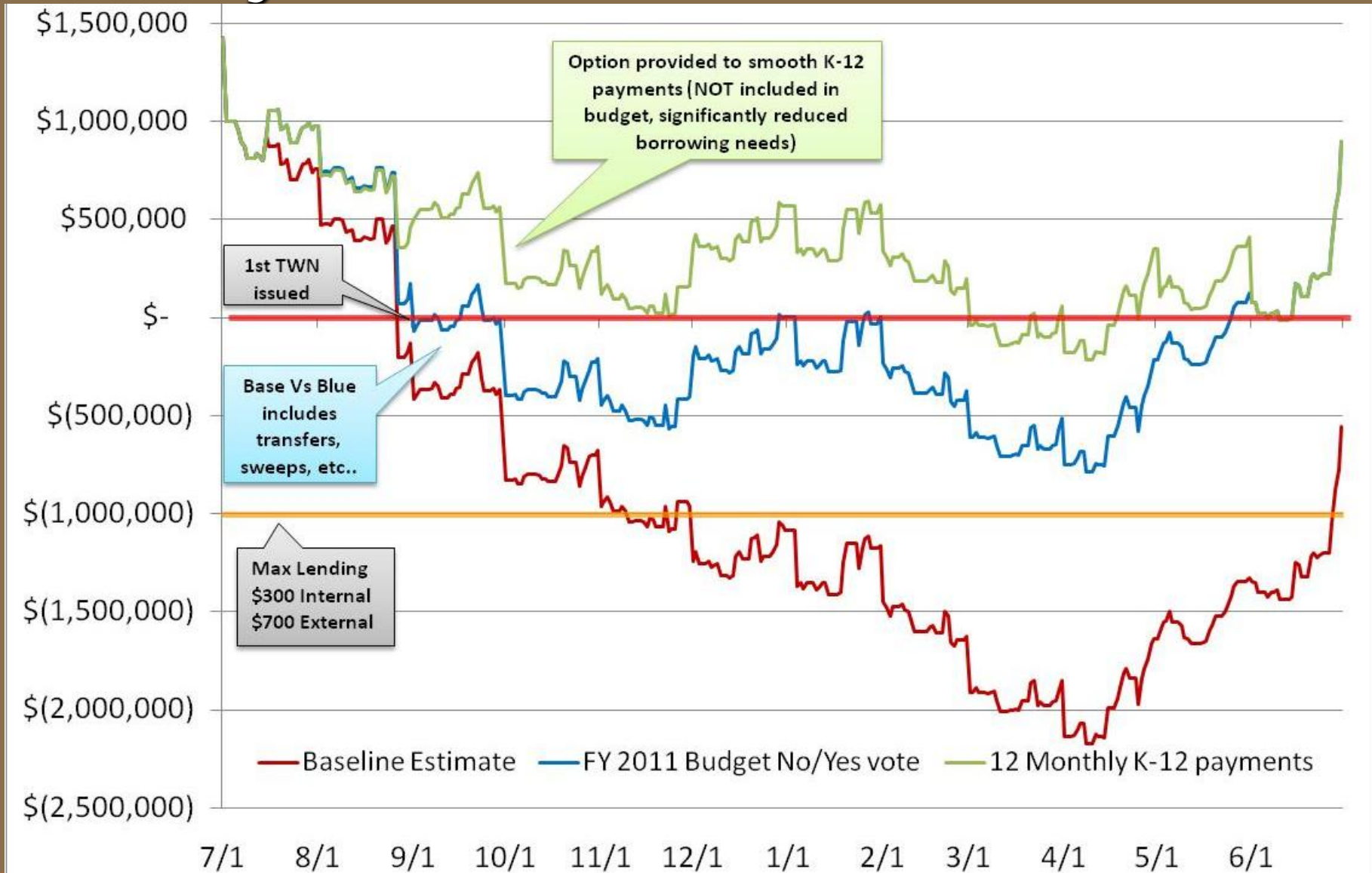
- FY2011 has four cash flow scenarios
- May 18th tax increase passes
- May 18th tax increase fails
- November ballot referrals pass
- November ballot referrals fail



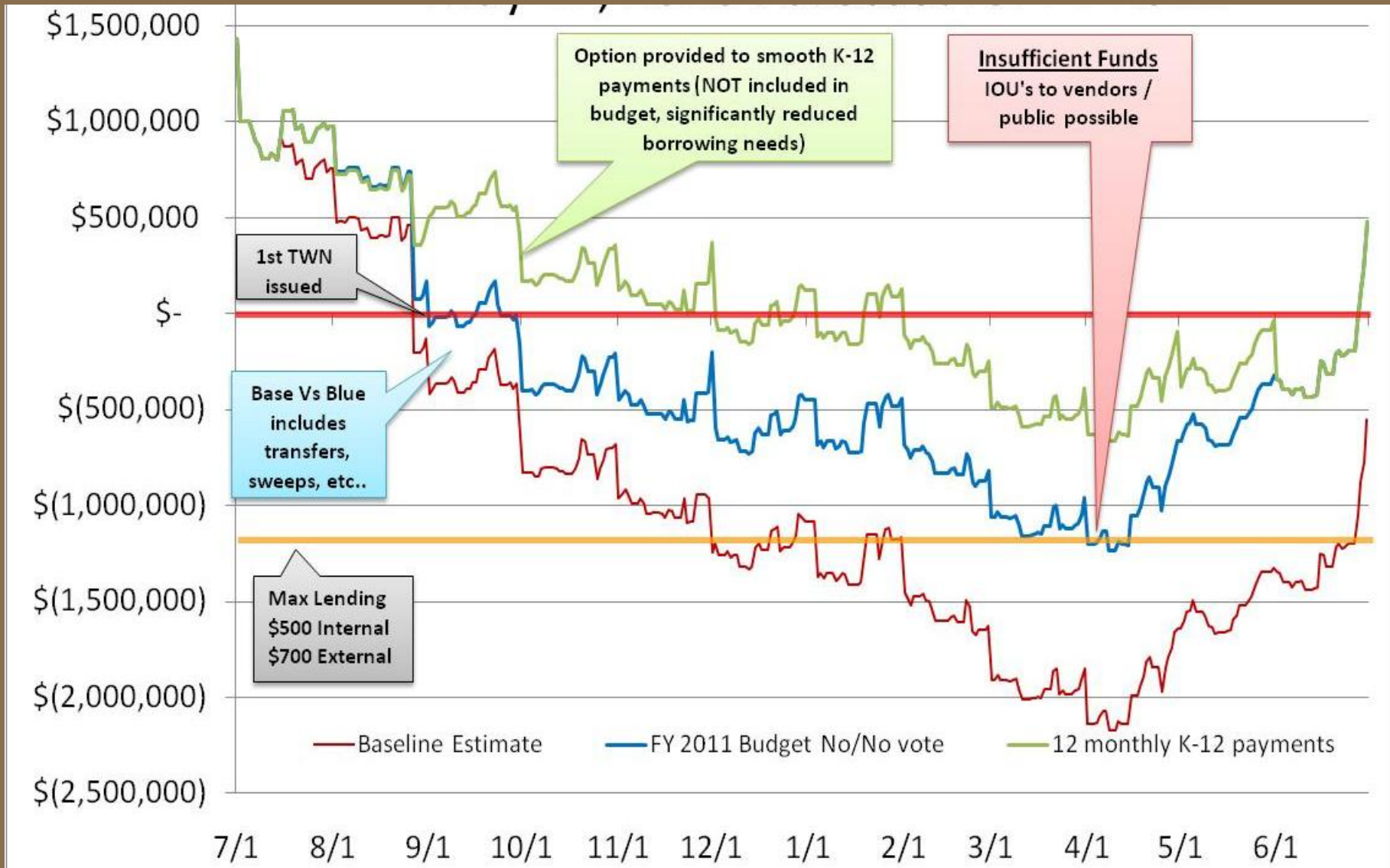
May PASS & November PASS



May FAIL & November PASS



May FAIL & November FAIL



May PASS & November FAIL

